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FROM : AMEMBASSY, GUATEMALA 7
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TO : THE DEPARTMENT OF STATE, WASHINGTON. July 3, 1953
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SUBJECT: WEEKA NO. 27 - ECONOMIC SECTION

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SECTION II

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The 1953-4 national budget of $73,399,905 promulgated this week showed a further rise over previous years and provided for greatly increased expenditures for social and economic development programs. The budget is $10 million higher than the initial 1952-3 budget and these expenditures are to be met by higher taxes and customs duties enacted during the last fiscal year.

Following the trend of the National Government, the Municipality of Guatemala City put into effect on July 1 a general increase in taxes and fees to meet its improvements program. The Municipality imposed a new tax of two cents per gallon on gasoline sales and a new 20 per cent tax on receipts of motion picture film distributors. United States and Mexican film producers reportedly threatened to discontinue distributing films in Guatemala if the latter tax were applied.

National Budget

The 1953-4 national budget of $73,399,904.92 which was promulgated on June 29 is $10,004,429.92 more than the initial 1952-3 budget and $8,890,086.84 more than the revised 1952-3 budget. Income from "Taxes and Contributions, Groups A and B" (customs, liquors, business profits, etc.) are budgeted at $15.4 million over the preceding year as a result of 1952 tax increases and the February 1953 rise in import duties. This is partially offset by a $5.7 million decrease in "Miscellaneous Income" due to the loss of revenue from the National Farms dissolved pursuant to the Agrarian Reform Law.

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Significant increases in budgeted expenditures are: the Presidency, $.7 million (to $1.8); Defense, $.7 million (to $6.6); Education, $1.2 millions (to $10.6); Extraordinary Investments (public works), $7.4 millions (to $23.4). It has been unofficially reported that the public works budget includes $1.2 millions for the Roosevelt Hospital, a United States-Guatemala technical cooperation project. This is one-half of the amount needed to purchase the equipment necessary to finish the project, now 70 percent complete.

Municipal Taxes

The Ministry of Economy and Labor on June 22 authorized the City of Guatemala to increase municipal taxes and fees effective July 1, a measure justified by the failure of revenues to keep pace with the need for municipal improvements. As a consequence, the City plans a budget of $2.5 million for 1953-4, as compared with $2.3 million in 1952-3 and, according to press reports, has obtained a $1.5 million loan from the Bank of Guatemala for the construction of new markets, the relocation of the municipal slaughterhouse, and paving and drainage projects.

A new tax of $0.02 per gallon on gasoline raised the retail price in the City to $0.51 on July 1. Gasoline taxes now total $0.22 per gallon although the International Bank Mission in 1951 recommended that these taxes be reduced.

A new 20 percent tax on the receipts of motion picture film distributors has met with resistance, and representatives of United States and Mexican film producers have come to Guatemala to discuss the measure. The press reported that Mr. J. Roberto FANJUL, Minister of Economy, said that if United States and Mexican companies cut off the supply of films as rumored, Guatemala would import European films. Mr. Fanjul said that Government officials were "disgusted" with the attitude of film companies which, he alleged, took $1 million per year out of the country without paying taxes. (The Bank of Guatemala balance of payments statement for 1952 showed a net of $534,000 paid out for films). It was reported that the film tax would be applied throughout the country by incorporation into a general tax revision program for all municipalities.

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A film distributor reported that the Government had indicated confidentially that it would not object to a 15-day delay in the effective date of the new film tax to permit discussion of the measure with representatives of foreign film producers. The United States and Mexican film companies have joined forces to present a united front in dealing with the Ministry of Economy which, according to the municipality, took the initiative in establishing the tax. The film companies apparently expect to be able to bargain over the amount of the tax.

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Rudolf E. Schoenfeld

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